

Plainbridge Incorporated

RJ Reynolds
Tobacco Company

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Continued
Business Building Program
From
R. J. Reynolds Tobacco Co.

F

Financial

O

Opportunity

with a

C

Custom Program

to

U

Underscore

S

Shared Success

Focus - - - Partnership = Shared Success

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PROGRAM DESCRIPTION

◆ **RJR Sales and Share of Market
Program**

◆ ***FOCUS* on your business and
your performance**

◆ **Opportunity for EVERYONE**

◆ ***FOCUS* = *WIN / WIN***

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PROGRAM STRUCTURE

- ◆ Establish RJR Share of Market from sales to your customers
- ◆ Six Month Program Period - October 31, 1994 - April 28, 1995, to increase your RJR Sales to your customers and Share of Market Performance
- ◆ Payment is based on all RJR Full Price and Savings Brands sold to your customers.

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Determining Total RJR Base Share of Market (November 1994 - April 1995)

Total RJR SOM Maintained or Increased

- ♦ If during the May 1994 - October 1994 FOCUS Program, you maintained or increased RJR SOM from the Base RJR SOM, your starting Base RJR SOM will be the same for November 1994 - April 1995.

- ♦ **Example:**

Starting Base RJR SOM = 30.0% (May - Oct. 94)
Ending RJR SOM = 31.0%
Difference = +1.0% (May 94 - Oct. 94)
Starting Base RJR SOM = 30.0%
(November 1994 - April 1995)

Total RJR SOM Declined

- ♦ If during the May 1994 - October 1994 FOCUS Program, your RJR Base SOM declined, your RJR Base SOM for the November 1994 - April 1995 will be the ending RJR SOM for the May - October period.

- ♦ **Example:**

Starting Base RJR SOM = 30.0% (May - Oct. 94)
Ending RJR SOM = 28.0%
Difference = -2.0%
Starting Base RJR SOM = 28.0%
(November 1994 - April 1995)

PROGRAM PAYMENT

- ◆ **Payment is calculated on a per carton basis, by RJR Full Price and Savings cartons sold to your customers from October 31, 1994 thru April 28, 1995**
- ◆ **Per carton rates vary depending upon your RJR Share of Market results and frequency / detail of sales information provided**

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PAYMENT PLANS

- ◆ YOU CHOOSE THE PLAN THAT BEST SUITS YOUR OPERATIONS TO REPORT YOUR SALES INFORMATION

➡ PLAN A

- ◆ Report WEEKLY all cigarette carton sales via computer tape or disk
- ◆ Account Specific
- ◆ Brand UPC Specific
- ◆ Manufacturer Specific

< OR >

➡ PLAN B

- ◆ Report MONTHLY all cigarette carton Sales by Manufacturer
- ◆ By RJR Full Price and Savings

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PROGRAM PAYMENT SCHEDULE

SALES INFORMATION REPORTING

PLAN A

<u>Total RJR SOM Ranges</u>	<u>Full Price / Carton</u>	<u>Savings / Carton</u>
-0.1% / below	\$0.04	\$0.03
Maintain to .5% increase	0.12	0.08
0.6 to 1.0% increase	0.13	0.08
1.1 to 1.5% increase	0.14	0.09
1.6 to 2.0% increase	0.15	0.09
2.1 to 2.5% increase	0.16	0.10
2.6 to 3.0% increase	0.17	0.10
3.1 to 3.5% increase	0.18	0.11
3.6 to 4.0% increase	0.19	0.11
4.1 to 4.5% increase	0.20	0.12
4.6 to 5.0% increase	0.21	0.12
5.1 to 5.5% increase	0.22	0.13
5.6 to 6.0% increase	0.23	0.13
6.1% + increase	0.24	0.14

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PROGRAM PAYMENT SCHEDULE

SALES INFORMATION REPORTING

PLAN B

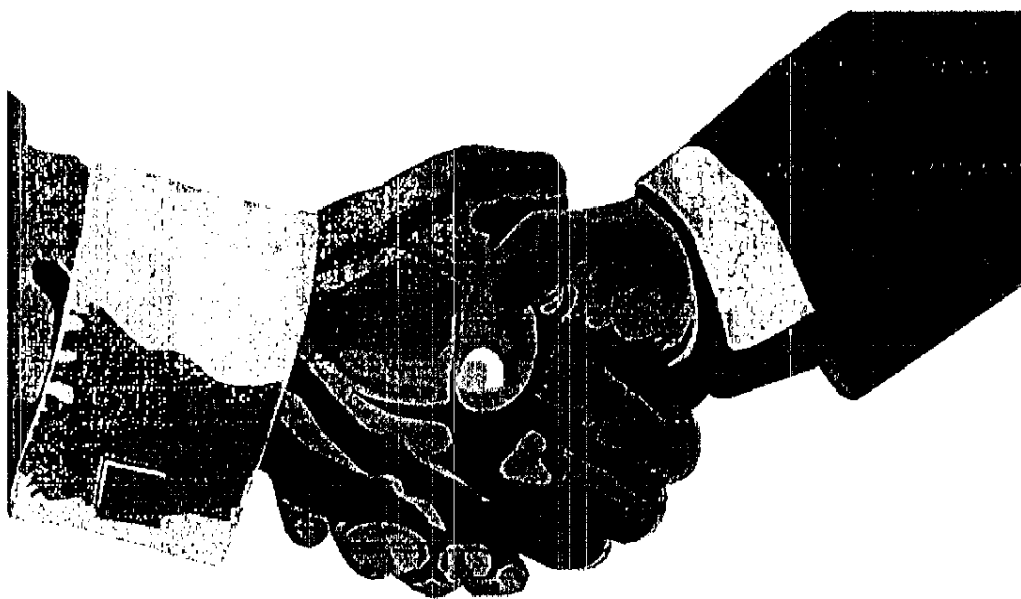
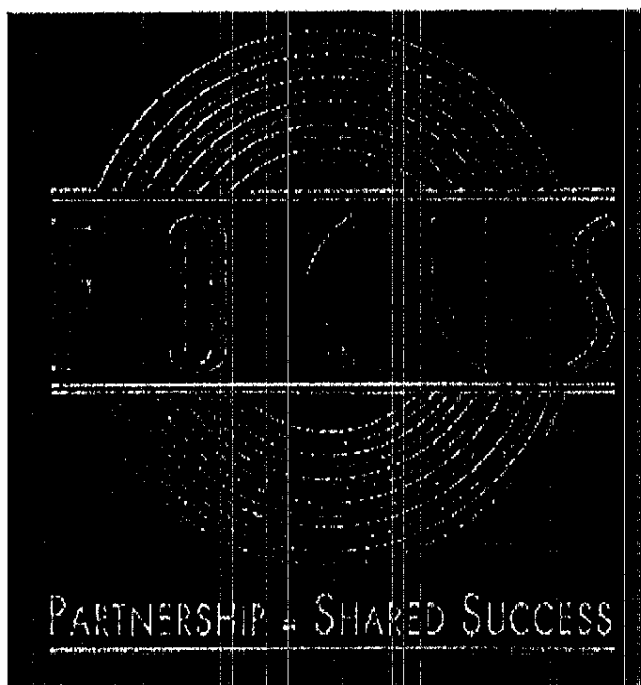
<u>Total RJR SOM Ranges</u>	<u>Full Price / Carton</u>	<u>Savings / Carton</u>
Maintain to .5% increase	\$0.08	\$0.05
0.6 to 1.0% increase	0.09	0.05
1.1 to 1.5% increase	0.10	0.06
1.6 to 2.0% increase	0.11	0.06
2.1 to 2.5% increase	0.12	0.07
2.6 to 3.0% increase	0.13	0.07
3.1 to 3.5% increase	0.14	0.08
3.6 to 4.0% increase	0.15	0.08
4.1 to 4.5% increase	0.16	0.09
4.6 to 5.0% increase	0.17	0.09
5.1 to 5.5% increase	0.18	0.10
5.6 to 6.0% increase	0.19	0.10
6.1% + increase	0.20	0.11

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PROGRAM SUMMARY

- ◆ **PARTICIPATION -
Opportunity for EVERYONE**
- ◆ **INCENTIVE STRUCTURE -
Financially Rewarding for RJR
Share of Market Gain**
- ◆ **PARTNERSHIP -
Success for RJR and Our
Customer**

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Partnership = Shared Success

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FOCUS . . . PARTNERSHIP = SHARE SUCCESS

October 31, 1994 - April 28, 1995

- ◆ **Performance Program** - you can earn payment based on your individual share of market for RJR brands determined from your sales to your customers.
- ◆ **Flexible** - you choose one of two plans for periodic reports of sales information that best suits your operations.
- ◆ **Clear, concise payment structure** - results are evaluated at the end of a six month Program Period; payments are made by check or credited to your bank account via E.F.T. as soon as practicable after the Program Period.

PROGRAM SUMMARY

- ◆ **To participate in the Focus Program** you must first provide, in an acceptable format and manner, accurate sales and share of market information, for all recent cigarette sales, and an accurate inventory of all cigarettes as of the beginning of the Program Period. RJR will then determine your Base share of market for RJR brands at the start of the Program Period.
- ◆ **During the Program Period** you must regularly provide accurate information about your cigarette movements in a specified format and manner, and in accordance with the reporting plan chosen. Using this information RJR will determine your share of market for RJR brands, as well as the number RJR full price and savings cartons sold, during the Program Period. Your share of market for RJR brands during the Program Period will be compared with your Base share of market.
- ◆ **At the end of six months**, the Focus Program payment is determined for eligible customers by RJR share of market results, the plan under which customer chose to report its sales information, and customer's carton sales of RJR full price and savings brands during the Program Period.
- ◆ **Participation will be individual RJR ship-to location** for each customer. Program Rules and Procedures are provided to each customer.

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FOCUS . . . PARTNERSHIP = SHARE SUCCESS

SALES INFORMATION REPORTING PLANS

Plan A

Report weekly, via computer tape or disk, all cigarette carton sales broken down by manufacturer, by brand style and by individual location serviced. At the close of the Program Period an ending cigarette inventory must also be provided. Refer to Weekly Sales Information Agreement and instructions for detailed guidance and requirements.

OR

Plan B

Report monthly, all carton sales and all cigarette carton purchases broken down by each manufacturer. Reports on RJR brands must separately identify full price and savings cartons. At the close of the Program Period and ending cigarette inventory must also be provided. Refer to reporting forms and instructions for detailed guidance and requirements.

PROGRAM ENROLLMENT AND EVALUATIONS

- ◆ Each ship-to location must complete a Program Enrollment Form at the beginning of the Program Period, confirming your participation and Base share of market for RJR brands and beginning cigarette inventory.
- ◆ At the end of the Program Period, your RJR representative will review the results with you. Each customer will receive a Program Evaluation Form.

Payment

- ◆ Payment will be made by check or credit to your bank account via E.F.T. as soon as practicable after the Program Period.

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Rules and Procedures

- ♦ All direct buying customers of R. J. Reynolds Tobacco Company (RJR) have the opportunity to participate in the Focus Program.
- ♦ Customer participation, performance and eligibility will be determined and measured by each RJR ship-to location during a Program Period. A Program Period will be six consecutive months, or other periods, designated by RJR.
- ♦ To participate in the Focus Program, customer must complete a Program Enrollment Form for each ship-to location at the beginning of a Program Period and provide RJR with information it deems necessary to make initial SOM and inventory determinations. A ship-to location may not enroll in the Focus Program after a Program Period has begun.
- ♦ Each customer ship-to location must elect to participate in Sales Information Reporting Plan A or B on the Program Enrollment Form. This election determines the Program Payment Schedule of per carton payments for which the ship-to location is eligible. After initial election has been made, a ship-to location in Plan B cannot change to Plan A until the beginning of the next Program Period. However, a ship-to location in Plan A may change to Plan B during a Program Period. In such cases Focus Program payments will be calculated from the Program Payment Schedule for Plan B for the entire Program Period.
- ♦ Focus Program payments will be made to eligible customer ship-to locations that provide information to RJR as required by Sales Information Reporting Plan A or B and achieve certain RJR share-of-market (SOM) results during a Program Period. The payment amount will vary depending on the Sales Information Reporting Plan chosen, the number of RJR full price and savings cartons sold, and the amount of change in RJR SOM.
- ♦ The amount of Focus Program payments for an eligible ship-to location will be calculated at the end of the Program Period by multiplying (1) the number of RJR full price and savings cartons sold by customer ship-to location during a Program Period, times (2) the appropriate per carton payment rates from the Program Payment Schedule. The maximum number of cartons on which payments can be earned is 105% of direct purchases from RJR during a Program Period. The 105% maximum will apply separately to total full price cartons and total savings cartons.

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Rules and Procedures (continued)

- ♦ At the beginning of a Program Period RJR will determine for each participating ship-to location (1) a Base SOM for RJR brands, and (2) a Beginning Inventory of all cigarette carton inventory by UPC for all brands and manufacturers. In order for RJR to make these determinations, customers must provide accurate, complete information concerning sales, purchases, returns and inventories for recent time periods as required by RJR. At the close of a Program Period RJR will also determine (1) the SOM of RJR brands achieved by the ship-to location during the Program Period and (2) the Ending Inventory of all cigarette carton inventory by UPC for all brands and manufacturers as of the last day of the Program Period. These determinations will be made from customer information provided under the Sales Information Reporting Plans. The appropriate per carton payment rate from the Program Payment Schedule is determined by comparison of the Base SOM with the SOM achieved during the Program Period.
- ♦ SOM determinations are based upon bona fide unit sales (cartons) of RJR product from a ship-to location. SOM will be calculated to one decimal place (e.g. 31.2). Rounding will not be utilized (e.g. $31.2769 = 31.2$).
- ♦ After a Program Period begins, no adjustments will be made in SOM determinations because of changes or shifts in the customer base serviced by a ship-to location. For example, if Retail Chain purchases from Distributor A, but then becomes a direct purchaser of cigarettes from manufacturers or shifts its business to Distributor B, no adjustment will be made in SOM determinations for Distributor A or Distributor B.
- ♦ If feasible, RJR will make such equitable adjustments as it deems appropriate in SOM determinations and carton sales when there is a consolidation of participating ship-to locations which are under common ownership during a Program Period. Any plans to consolidate participating ship-to locations should be coordinated with RJR as early as possible.

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Rules and Procedures (continued)

- ♦ To be eligible for a Focus Program payment at the end of Program Period, a participating ship-to location must have, throughout the Program Period: remained actively engaged in the cigarette distribution business and a direct purchasing customer of RJR; provided RJR a fair opportunity to meet competitive programs offered by other cigarette manufacturers including any Distributor Assist Programs / Services; provided RJR products an opportunity for distribution to its customers that is equivalent to the opportunity provided to competing products; and promoted and encouraged the sale and distribution of RJR products at least to the same extent it promoted competing products.
- ♦ All cigarette brands distributed by RJR, including brands of Forsyth Tobacco Products and RJR Macdonald, are included in payment calculations and SOM determinations. RJR will designate which of its brands are considered full price and savings for purposes of the Focus Program.
- ♦ Sales Information Reports under Plans A or B which are untimely, contain incorrect or incomplete information, are in improper format / form or otherwise do not comply with Plan requirements will cause the ship-to location to be removed from the Focus Program and lose its eligibility for payment.
- ♦ Payment will be made by check or credited to customer bank account via E.F.T. as soon as practicable after a Program Period ends and accurate SOM performance and RJR carton sales have been determined and verified to the satisfaction of RJR. In instances of ownership changes for participating ship-to locations, RJR will make Focus Program payment only to the owner of record as of the end of a Program Period. Payment will not be prorated. The owner of record is determined from RJR records of direct buying customers.

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Rules and Procedures (continued)

- ♦ **RJR will have the right to audit, as and when it deems necessary, customer books and records relating to any information provided pursuant to the Focus Program. RJR will also have the right to conduct a physical count of customer cigarette inventory. Customer refusal to permit audit or inventory count as required by RJR will cause customer to lose its eligibility for payment and disqualify customer for further Program participation during the Program Period.**
- ♦ **Any customer providing false or misleading information, either deliberately or through gross negligence, will lose its eligibility for payment and will be eliminated from participation in the Focus Program for the current and future Program Period.**
- ♦ **All issues arising from the Focus Program, including interpretation and application of Program requirements and Rules and Procedures and determinations of SOM, sales and inventories, will be resolved by RJR in its sole discretion. The decision of RJR on such matters will be final.**
- ♦ **No customer is permitted to deduct any part of its Focus Program payment or anticipated payment off invoice.**
- ♦ **No direct buying customer is eligible for payment under the Focus Program if it or an affiliated company has past-due invoices from RJR or Forsyth Tobacco Products at the end of a Program Period.**
- ♦ **RJR reserves the right to retain allowances due under the Focus Program as an offset for any outstanding invoices from RJR or Forsyth Tobacco Products. RJR also reserves the right to modify or discontinue the Focus Program at any time.**

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